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Labor & Employment Alert

Supreme Court rules interstate transportation workers exempt from FAA arbitration requirements

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On Tuesday, January 16, the United States Supreme Court unanimously ruled that interstate transportation workers are exempt from the arbitration requirements of the Federal Arbitration Act (FAA) and cannot be forced to arbitrate. This ruling applies not only to employees, but also to independent contractors. As a result, these workers may not be limited by arbitration provisions contained within their contracts, opening the door to new class actions and collective actions.

Dominic Oliveira, a driver for New Prime Inc., an interstate trucking company, worked under an independent contractor operating agreement containing a mandatory arbitration provision. Oliveira filed a federal class action lawsuit against New Prime for failing to pay him minimum wage pursuant to the Fair Labor Standards Act (FLSA). New Prime asked the court to invoke its authority under the FAA and enforce the private arbitration agreement contained within its operating agreement with Oliveira. New Prime argued that because Oliveira was an independent contractor, he could be compelled to arbitrate under the FAA. The Court disagreed and allowed the class action to proceed.

The Court examined Section 1 of the FAA, which exempts "seamen, railroad employees or any other class of workers engaged in foreign or interstate commerce." It held that at the time of the FAA's adoption in 1925, the term "contract of employment" meant an agreement to perform work, which would include not only employer/employee relationships, but also independent contractor agreements. The Court also decided that a judge, rather than an arbitrator, should decide the applicability of Section 1 exemptions.

This case has substantial impact on the arbitrability of independent contractor misclassification cases, which have been a focus of the Department of Labor for many years. Importantly, the FLSA and its minimum wage requirements do not apply to independent contractors, and the driver may ultimately recover nothing. However, mere classification of an individual as an independent contractor does not automatically keep the worker from being considered an employee for wage and hour purposes under the FLSA. For these reasons, it is always important to consult a knowledgeable employment attorney.

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For more information on ways to structure arbitration agreements and prevent and handle wage and hour claims, please contact a member of McGlinchey Stafford's Labor & Employment Team. We offer comprehensive training and counseling for employers in this area and others.

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